

SAINT ROBERT LAWRENCE CATHOLIC ACADEMY TRUST RESERVES POLICY

Approved: December 2016
Review Date: December 2019

PURPOSE

The purpose of the reserve policy for Saint Robert Lawrence Catholic Academy Trust is to ensure the stability of the Trust's organisational operations, to protect it so that it has the ability to adjust quickly to financial circumstances, such as large unbudgeted expenditure, cyclical maintenance and working capital.

DEFINITIONS AND GOALS

Restricted Reserves

Restricted reserves are represented by the main income for the Academy Trust which is General Annual Grant (GAG) together with other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements or donors' instructions.

There is no limit on the percentage carry forward of GAG restricted funds at the year end. It is envisaged that these funds will be used in future years mainly for capital. Each academy will operate a balanced budget however in exceptional circumstances a small percentage of GAG restricted funds carried forward will be used for operational purposes.

The Audit Committee of the Academy Trust will determine the level of restricted reserves taking into account the forecast income and expenditure streams and the need to match income with commitments and the nature of reserves. Reference will be made to the Academy Trust Strategic Plan in determining likely future calls on reserves.

It is considered prudent to set a minimum reserve equal to 30 days operating expenditure in order to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. For 2015/2016 this amount is £480,000.

All reserves are reported and reviewed regularly and expenditure from reserves approved by the Trust Directors.

Unrestricted Funds

Unrestricted reserves are made up of the Academy Trust's activities for generating funds, investment income and other donations which are expendable at the discretion of the Directors in furtherance of the objectives of the Academy Trust.

The Academy Trust is confident that it will meet the required pension contributions from its projected income without significantly impacting on its planned level of charitable activity. It continues to calculate its 'free' or general unrestricted reserves without setting aside designated reserves to cover the pension liability.

Unrestricted reserves will be reviewed regularly by the Audit Committee.

Designated Funds

These are unrestricted funds that have been allocated by the Trust Directors for a particular purpose.

These funds are reviewed regularly and approved by the Trust Directors; they are obtained by designating funds from the unrestricted funds.

USE OF RESERVES

1. Identification of appropriate use of reserve funds

The Trust Directors, advised by the Audit Committee and Executive Committee will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserve as described in this policy and in line with the Academy Trust Strategic Plan. This step requires analysis of the reason for any shortfall, the availability of any other sources of funds before using reserves and evaluation of the time period that the funds will be required and replenished.

2. Authorisation of use of reserves

Authorisation to use reserves of any kind will be made by the Trust Directors, at the next available meeting the approval should be noted in the minutes.

3. Reporting and monitoring

The Trust Directors are responsible for ensuring that the funds are maintained and used only as described in this policy. Upon approval for the use of these funds, the Academy will maintain a record of the use of the funds. The Finance Director will regularly monitor the progress of the reserves and report to the Audit Committee who will then report to Trust Directors.

REVIEW OF POLICY

This policy will be reviewed by the Audit Committee every three years or sooner if warranted by internal or external events or changes.